

**Monthly Meeting of the
Prairie Meadows Board of Directors
March 22, 2023
2:00 p.m.**

The Monthly Meeting of the Prairie Meadows Board of Directors was called to order by Ms. Simon in the James Rasmussen Board Room at Prairie Meadows in Altoona, Iowa at 2:00 p.m.

Roll Call.

Dennis Albaugh - phone
Chris Costa
Linda Grandquist
Danny Homan
Dr. Ian Lin
Marty Martin - phone
John Mauro
Dr. Steven Neville

Bob O’Hollearn
Ken Sagar
Mary Simon
Susan Voss
Jeff Wangsness
Jeff Russell
Tiffany Tauscheck

Also in attendance were:

Gary Palmer, President/CEO
Michele Wilkie, Senior Vice President/CAO
Tom Flynn, Legal Counsel

Nancy Winget, Its Recording Secretary
Members of the Press, Public, and Staff

Approval of the Minutes. A motion was made by Mr. Sagar to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on February 15, 2023 as written. The motion was seconded by Mr. O’Hollearn and passed on a voice vote.

Public Comment. None

Lobbyist Report. Troy Skinner handed out and reviewed the Legislative Update, March 2023:

- HSB 227 – iGaming. The bill was introduced two weeks ago – it allows people to set up amounts like with an ADW to gamble at home; the sub-committee met yesterday – several spoke for this bill, several opposed – PM and the catholic church oppose the bill; a study by a Deutsche Bank said iGaming would cannibalize brick and mortar; in Las Vegas, the casino lobbyists killed the iGaming efforts, but some of those casinos are here in support; under advisement, the sub-committee refused to pass the bill out of the sub-committee; some people believe this is coming in the future – it would create a lot of revenue; the bill is probably dead this year. Mr. Palmer said we’ve discussed iGaming before; it’s on the top of our radar and has the support of the big casinos; PM’s reasoning is, if people gamble at home, they can use their credit/debit cards, and that would break a lot of people; this is a poor choice for the community. Ms. Voss asked if the Board has written a letter to the legislature and Mr. Palmer said no, but we work through our lobbyist. Ms. Voss noted the grants organizations should oppose this – it would hurt community giving and Mr. Skinner said the non-profits have helped in the past (i.e. Table Games license). Mr. Palmer said the only ones to taut this is the big casinos; it would affect brick and mortar, like PM; Las Vegas is against

iGaming there, but don't mind if PM is hurt; at least seven Iowa casinos are with us in opposing iGaming; he's talked to the County Supervisors, and they believe it's terrible for our community. Mr. Wangsness asked the numbers and Mr. Skinner said, in New Jersey, it is hundreds of millions of dollars – this is hard to analyze; big casinos' venues have the technology to do this, the Iowa casino would have to team up with a company; big casinos' marketing budget is unlimited. Mr. Flynn noted the legislature is against unbridled gaming from home as the law states casinos can't have credit cards at a casino and ATM machines have to be off the gaming floor to give people a cooling off time; with gambling at home, the guardrails are down. Mr. Skinner said this would affect the horse industry – revenue would go up and down.

- HF 673 – Fantasy Sports and Sports Wagering. The bill relates to allocating the \$7 million unfunded sports wagering and fantasy sports wagering tax receipts (\$1.75 million to treatment, \$1 million tax credit endowment, and the rest to the County endowment).
- The second funnel is Friday, March 31; then work will be done on the budget and appropriation bills.
- IRGC Terms. Two Commissioners' terms expire April 30 – Daryl Olsen and Lance Horbach; there's no indication if they'll be reappointed by the Governor; an appointment needs 2/3 Senate approval.

Financials. Elaine Castelline, Vice President of Finance/CFO, reviewed the February YTD financials:

YTD February		
	Actual	Plan
Casino Revenue	\$38.2 m	\$34.8 m
Total Revenue	\$43.3 m	\$40.1 m
Payroll Expenses	\$8.7 m	\$8.8 m
Operating Expenses	\$6.8 m	\$7.6 m
Net Income before Community Benefit	\$16.2 m	\$12.5 m

Total Revenue \$\$43.3 million YTD: Casino \$38.2 m; Sportsbook \$1.3m; Hotel and Events \$1.1 m; F&B \$1.1 m; Other \$1.6 m; Pari-Mutuel \$100,000 – this will grow with Live Racing; 88¢ of every \$1.00 comes from the gaming floor.

Top Performing Areas – Most Recent 4 Years – All-time Record for February: Slot Revenue, Coin-in, Casino Revenue, Café at the Meadows Revenue, Paddock Revenue, Prairie Coffee Company Revenue.

Iowa Market	
Prairie Meadows	\$38.2 m
Horseshoe	\$32.6 m
Ameristar II	\$29.2 m
Riverside	\$20.6 m
Isle – Waterloo	\$16.3 m
Harrah's	\$10.9 m
Lakeside	\$7.9 m
Wild Rose Jefferson	\$6.3 m
Iowa Casino average vs. 2022	+2.4%
Competitors' average vs. 2022	-0.3%

Surrounding Markets vs. 2022	
Prairie Meadows	+13.6%
St. Louis, includes 2 Illinois and 4 Missouri casinos	+8.2%
Kansas City – includes 4 Missouri and 1 Kansas casinos	+6.3%
Omaha/Council Bluffs (Ameristar, Horseshoe, Harrah's). The 2 new casinos in Nebraska may affect Council Bluffs.	-2.85
Quad Cities	+7.8%

Staff and Cybersecurity Report - Tony Guzman, Director of IT and Chantel Olsen, Senior Applications Administrator.

Mr. Guzman reported:

- Since 2018, PM has had three cyber audits performed; the last audit was January 2022 and no critical threats were found; areas of notable improvements from previous audit were: no area of weakness found on the wireless network, no open port access on the casino floor, very good Intrusion Detection System in place, real time alerting system in place, excellent program for social engineering training and testing.
- January 2024 – we are actively preparing for another audit; the auditors are given open port access from the IT area to identify any weakness they see.
- Staff is upgrading the firewalls and implementing multi-factor authentication for all users and devices; working with our partners to implement new, state of the art artificial intelligence technology for monitoring, analyzing, and mitigating any possible security attacks.
- Social Engineering – staff is constantly working on developing new learning opportunities to educate employees by adding alerts and security notifications; provides monthly video training and testing for employees to empower them with the tools needed to protect PM from cyber threats.
- IT has 146 virtual servers, 9 physical servers, 85 switches, 278 slot reach NXT's to connect to each of the slot banks, 427 dedicated workstations and laptops on the network, 285 wireless AP's, and 204 printers and copies.

Mr. Russell asked what standards do the auditors follow and Mr. Guzman said NIS. Mr. Palmer requested Mr. Guzman provide information on data breeches, ransom attacks, phishing, etc. and Mr. Guzman said 40.1million attacks were blocked and 543,000 e-mails were blocked.

Ms. Olsen reported:

- She has been here for 27 years, 25½ in IT, and is a Prairie Meadows University graduate.
- In 1995, the department had seven staff; today it has 21 staff.
- The IT Department has 18 employees and the Print Center has three employees. We have open positions for a Network Administrator and an Administrative Assistant.
- The IT Department includes: Help Desk Support, Networking, Cyber Security, Applications Support/Development, and Software Training. The team works diligently to ensure the computer hardware assets and network, wire and wireless, is maintained and secured; staff also works to ensure technical needs are met to assist in the day-to-day operations for employees and guests.
- Staff has developed 935 reports to help with the day-to-day operations; have written 90 internal intranet-web-based applications; staff works with outside vendors to perform system changes; developed a Trainers Manual and training for staff; in the last 12 months, the

department received 7,415 Work Orders and closed 7.371 – some take longer to close if vendors are involved.

- Information Technology also includes the Print Center - has one Supervisor and two Coordinators; the department provides services to every department (i.e. Racing programs and Condition Books, Grants Books, posters, banners, three-part forms, table tents, business cards, handouts, etc.); ran over 3.1 million impressions and printed 976 posters/banners in the last 12 months - a total of 10,263 Work Orders.

Mr. O’Hollearn asked about staffing; salaries/benefits are under budget; how does PM attract employees for critical positions? Mr. Palmer said this is a challenge for all departments – we’re finding new ways to work smarter; we spend a lot of money on recruiting; we may have 15 interviews and six may show up, and if hired, don’t show up; this is the reason we don’t have a buffet – it doesn’t make money and it takes 125 employees to run; we’re trying everything we can to find employees – we have extraordinary salaries and benefits; all casinos and other industries are having trouble getting people; now there’s talk about four-day work weeks – how can we do that; other than COVID, we’ve never had a layoff in 30 years; we changed the day for giveaways – from weeknights to Sundays, Sunday business used to be \$300,000 and now it’s \$600,000 - \$800,000, salaried staff take turns helping with giveaways; we’re finding different ways to do things. Mr. Palmer said 6-8 years ago, we had 1,600 employees; before COVID we had 1,300; today, we have 900; we do more with less and revenue exceeded plan.

Ms. Vitiritto, Director of Human Resources, said we have 100-150 open positions – the number is a bit higher due to Racing positions; we partner with the DM Schools, Bondurant, and SEP and focus on the students who are not going to college. Ms. Simon asked if the minimum age is 18 and Ms. Vitiritto said yes, and noted SEP students come here once a week to see the operations. Ms. Simon asked the number of SEP students that come out and Ms. Vitiritto said three students – they get to see the whole process. Mr. Palmer noted we have several long-time employees (i.e. Gina Vitiritto and Julie Stewart have been here 30-35 years).

Mr. Homan asked about employees recruiting employees, and if the recruit stays 60 days, the recruiter gets a bonus and Ms. Vitiritto said we’ve done that in the past and it wasn’t as successful as we wanted; we’re working with Marketing on recruiting videos, e-mails, etc.; we are focusing on hard to fill positions. Mr. Wangsness said his company has a referral bonus plan – trained and in the truck = \$500, if the employee is here on their first anniversary hire date, the recruiter gets another \$500. Mr. Palmer said staff appreciates the input, and noted another factor is, our employees have to be able to be licensed. Ms. Grandquist said it’s a good thing to sit down and brainstorm; the hospital is in the same situation with a shortage of employees.

President’s Report. Mr. Palmer reported:

- The management team is active in community things and some are on non-profit boards – that helps get connected.
- Thursday, May 11, 2023 – A Night of Blue and White at Wells Fargo Events Center. He will be the Honorary Chair for the Annual Unity Point Health Fundraiser to support the important work of this community health organization.
- We have 3-year contracts with the Quarter Horses and Thoroughbreds, and they have been approved by the IRGC.

- Live Racing Season begins Friday, May 12 at 6:00 p.m.
 - Our Racing season consists of: Thoroughbred-only May 12 – June 17. Thoroughbred and Quarter Horses June 18 – September 30.
 - Post Times: Friday and Saturday 6:00 p.m.
 - Post Times: Sunday and Monday 4:00 p.m.
- We would like to have a Board Night at the Races on Friday, July 21. Tour and Dinner. Please let Nancy know if you and a guest would like to attend.
- October 9 – 12. G2E (Las Vegas trip). Please let Nancy know by April 15 if you and a guest would like to attend.
- May 23 at 11:30 a.m. is the Live United Luncheon, we sponsor. Please let Julie or Nancy know if you'd like to attend.
- Nancy will send an e-mail with the Upcoming Events just mentioned.
- We have meet with Kevin Foley from the DSM Airport and are working on naming rights and payment schedules; the \$5 million approved by the Board is in escrow.

Ms. Grandquist noted that UnityPoint has always had doctors as the Chair of the fundraising event, and this year, the Board asked her to ask Mr. Palmer if he would be the Chair; she thanked Mr. Palmer for accepting the request.

Mr. Russell said PM has had two strong months and asked why the numbers are up? Mr. Palmer said this was discussed at the Executive Committee meeting - gaming is up all over the nation and no one can say why, even with the economy and flags flying; we have great teamwork and great Guest Service, food, clean and safe facility, Marketing, etc., and people are just in the mood; if March is a record month, that will be the ninth record month in a row; Las Vegas is having record numbers; in western Iowa, with the exception of one, all the other casinos are down; PM is +\$4.2 million better than last year.

Mr. O'Hollearn asked about recruiting in high schools and DMACC and Ms. Vitiritto said we're doing that, and we also have a recruiting card to hand out for excellent service to try to recruit people. Mr. Mauro asked about salaries for those working on the floor – are we paying a fair wage, noting Hy-Vee is paying \$10-\$12. Mr. Wangsness said the economy is so strong in Iowa and we don't have the bodies, there's not a lot of babies – it's a people shortage. Mr. Homan addressed Mr. Mauro's concern – he has been negotiating contracts since PM started; employees were given a \$2 raise – employees received raises twice since the last negotiations. Mr. Palmer said we have to pay 25% above the minimum wage; employees went from \$7 to \$16.50 with benefits in non-tipped positions; in December 2022, the Board voted for the discretionary 401k and the Secret Santa; he agrees that we should give what we can to employees; Ms. Wilkie, Ms. Vitiritto, and Mr. Pursley do the union negotiations, and we have a great relationship with the unions; the contracts expire 10-1-23 and negotiations will be interesting this year; we do the Secret Santa outside of the contract; we do what we can to keep employees happy – if they're happy, it's good for business; the Board is generous – we have great health benefits, a great 401k plan, and that is why we have so many long-term employees; there's been a big change the last couple of years; we give a lot of money away, and employees ask what about me – we need to give them their share. Mr. Mauro was talking with a dealer and the dealer told him his hourly rate – it was very low - what does a dealer make? Mr. Palmer said Table Games dealers here make \$100,000+, plus benefits; feel free to call Ms. Vitiritto or Ms. Wilkie anytime if you have questions. Mr. Homan noted the dealers also get tips. Ms. Vitiritto said the average is \$7.60

base pay to start, and dealers get \$28-\$35/hour in tips; Mr. Homan said tips are based on a pool – share equally, this was something he negotiated.

Committee Reports

- Finance and Audit. Ms. Simon said the committee met on Monday and received a report from the External Auditors – no issues or misstatements were found, discussed a new Accounting Standard 842 regarding leases, there is now a line item for income and a line item for expenses for the lease, and it is a wash; there is an Action Item – Acceptance of the Audit Report; Kent Shirley, Internal Auditor, reviewed the Internal Audit Work Plan and the committee approved the plan.
 - Action Item – Acceptance of Audit Report. Mr. O’Hollearn moved to accept the Audit Report, the motion was seconded by Mr. Sagar, and unanimously passed on a voice vote.
- Facilities. Mr. O’Hollearn said the committee met on Monday and thanked Mr. Walters and Mr. Pursley for the update; Hotel Remodel – toured the 4th floor and the 3rd floor is underway – the remodel is being done in phases; Escalator replacement is underway and is being done in phases; Exterior Painting will be finished when the weather gets better; Arc Study will be done – it is a Public Safety report; Carpet Replacement – the carpet is 10 years old, they’re working on the design and layout, the project will start in 2024 and will be done in phases; Fountain at the front will be repurposed to a two-tier planter. The report was enlightening; there is a lot going on out here; it’s a competent staff and the result is evident as people keep coming out. Ms. Simon said the committee toured the hotel rooms – they are gorgeous and very classy.
- Human Resources. Mr. Martin said the committee met last Friday and reviewed the HR Committee Charter; received an update on union negotiations, Prairie Meadows University, the Map Associate Program, and reviewed and approved the three recommended changes to the Incentive Plan, which is an Action Item; there are no structural changes to the plan; he will review the three changes one by one and requested the Board vote after each one is reviewed.
 - Define guidelines for the discretionary portion of the incentive - more structure for part-time and full-time employees (number of conversations and absences and the percentage assigned to each); the first year of the plan, 79% received a full incentive and last year, 76% received a full incentive. Mr. O’Hollearn moved to approve this change, the motion was seconded by Dr. Neville, and unanimously passed on a voice vote.
 - Change how the community involvement component is evaluated for managers and above (For managers we are increasing the number of events they are required to attend from 3 to 6; for Assistant Directors and above the number of events did not change (12), however, instead of attending any combination of internal and external events to achieve full incentive, individuals are now required to attend at least 6 internal and 6 external events. Mr. Homan moved to approve this change, the motion was seconded by Ms. Grandquist, and unanimously passed on a voice vote.
 - Eligibility date. Currently employees need to be hired/transferred into an eligible classification by August 31st to be eligible to participate. This is not consistent with our eligibility date for pay increases which is September 30th; the recommendation is to change the eligibility date for the Incentive Program to September 30th to match

our pay increase date. Mr. Homan moved to approve this change, the motion was seconded by Mr. O’Hollearn, and unanimously passed on a voice vote.

- Grants. Ms. Voss noted the Legacy Grants handbook is at each place; thanked Ms. Stewart for coordinating everything; PM had a record year last year and we’re able to increase the giving; the Board already approved \$5 million for the airport project; we received a record number of grants. For Legacy, we’ll take the top 20 of the 39 applications, and the organization will do presentation, the Board is welcome to attend the presentations, or if you’re unable to attend, the presentations can be view on-line, the Board will score on the portal. The Action Item is the split of the \$8 million for Legacy, Community Betterment, and Youth Sports. The committee recommendation is: Legacy \$4 million, Community Betterment \$3.75 million, and Youth Sports \$250,000 – this is a committee motion. Dr. Neville asked the times for the presentations and Ms. Stewart said 9:00 a.m. – 1:30 p.m. Ms. Voss noted if you’re unable to attend, you can view the video on-line, the presentations are wonderful and you’ll learn a lot – some are very touching. Ms. Voss said we received 39 Legacy applications of \$21 million, 411 Community Betterment applications of \$14 million, and 54 Youth Sports applications of \$1.5 million; please be aware that you will probably be getting calls.
 - Action Item – Amount and Allocation for Grants (Legacy, Community Betterment \$3.75 million, Youth Sports). Ms. Voss said the committee recommendation (Legacy \$4 million, Community Betterment, and Youth Sports \$250,000) is a committee motion. The motion was seconded by Mr. Homan and unanimously passed on a voice vote.

Other Business

- Next Meeting: June 28, 2023

Adjournment. Mr. Homan moved to adjourn the meeting. There being no further business, the meeting adjourned at 3:20 p.m.

Respectfully submitted,

Dr. Steven Neville, Its Secretary